

THE FOOD PROJECT, INC.

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

tonneson + co

Certified Public Accountants & Consultants

THE FOOD PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Food Project, Inc.
Lincoln, Massachusetts

Opinion

We have audited the accompanying financial statements of The Food Project, Inc. ("TFP"), which comprise the statements of financial position as of September 30, 2022 and 2021, the related statement of activities for the year ended September 30, 2022, the statements of functional expenses and cash flows for the years ended September 30, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Project, Inc. as of September 30, 2022 and 2021, and the changes in its net assets for the year ended September 30, 2022 and its cash flows for the years ended September 30, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Food Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Food Project, Inc.’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Project, Inc.’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Food Project, Inc.’s September 30, 2021 financial statements, and our report dated February 18, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tonneson & Company, PC

Wakefield, Massachusetts
February 27, 2023

THE FOOD PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,063,982	\$ 2,234,710
Investments	482,705	598,102
Current portion program grants receivable	372,000	50,600
Accounts receivable, other	21,000	12,500
Prepaid expenses and other current assets	52,322	53,984
Total current assets	<u>2,992,009</u>	<u>2,949,896</u>
Program grants receivable, net of current portion and discount	278,177	41,500
Property, plant and equipment, net	<u>1,136,975</u>	<u>1,037,241</u>
TOTAL ASSETS	<u>\$ 4,407,161</u>	<u>\$ 4,028,637</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 223,503	\$ 232,554
Deferred revenue	21,210	39,210
Note payable, PPP	-	346,400
TOTAL LIABILITIES	<u>244,713</u>	<u>618,164</u>
NET ASSETS:		
Without donor restrictions		
Operating	2,489,621	2,034,337
Board designated	272,175	267,602
Total without donor restrictions	<u>2,761,796</u>	<u>2,301,939</u>
With donor restrictions	<u>1,400,652</u>	<u>1,108,534</u>
TOTAL NET ASSETS	<u>4,162,448</u>	<u>3,410,473</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,407,161</u>	<u>\$ 4,028,637</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
REVENUE AND SUPPORT:				
Grants and contributions	\$ 3,239,370	\$ 834,005	\$ 4,073,375	\$ 3,161,505
Sales	298,494	-	298,494	290,506
Rental income	41,740	-	41,740	46,060
Contributed goods and services	50,613	-	50,613	74,662
Gain on extinguishment of debt	346,400	-	346,400	380,000
Investment income (loss), net	8,344	(106,369)	(98,025)	87,333
Loss on disposal of property, plant and equipment	(1,029)	-	(1,029)	(2,660)
Net assets released from restrictions	435,518	(435,518)	-	-
	<u>4,419,450</u>	<u>292,118</u>	<u>4,711,568</u>	<u>4,037,406</u>
OPERATING EXPENSES:				
Program services	3,051,298	-	3,051,298	2,482,389
Management and general	457,638	-	457,638	410,539
Development	450,657	-	450,657	629,376
	<u>3,959,593</u>	<u>-</u>	<u>3,959,593</u>	<u>3,522,304</u>
INCREASE IN NET ASSETS	<u>459,857</u>	<u>292,118</u>	<u>751,975</u>	<u>515,102</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,301,939</u>	<u>1,108,534</u>	<u>3,410,473</u>	<u>2,895,371</u>
NET ASSETS, END OF YEAR	<u>\$ 2,761,796</u>	<u>\$ 1,400,652</u>	<u>\$ 4,162,448</u>	<u>\$ 3,410,473</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Supporting Services			Total
	Youth Leadership and Training	Food Production and Enterprise	Public Education and Outreach	Total Program Services	Management and General	Development	Total Supporting Services	
Personnel	\$ 502,121	\$ 999,976	\$ 185,289	\$ 1,687,387	\$ 131,665	\$ 341,606	\$ 473,271	\$ 2,160,657
Youth stipends	508,710	7,625	5,025	521,360	1,609	734	2,343	523,703
Consultants and professional fees	20,210	55,803	68,300	144,313	194,416	19,357	213,773	358,087
Seeds, plants, soil amendments	3,673	158,469	-	162,143	-	-	-	162,143
Depreciation	46,657	46,508	8,784	101,949	6,152	15,801	21,953	123,902
Occupancy	39,923	50,073	-	89,997	15,387	-	15,387	105,383
Insurance	32,469	32,365	6,113	70,947	4,281	10,996	15,277	86,224
Utilities	5,160	49,058	-	54,218	5,377	-	5,377	59,594
Supplies	27,956	5,448	319	33,722	23,624	1,753	25,377	59,099
Equipment related expense	690	32,113	2,850	35,653	20,007	2,938	22,946	58,599
Dues and fees	444	1,704	-	2,148	42,658	10,729	53,386	55,534
Youth transportation	51,815	44	46	51,905	-	-	-	51,905
Conferences and training	21,676	11,475	2,593	35,744	9,381	4,770	14,151	49,895
Printing and postage	1,440	1,530	6,505	9,475	1,578	30,359	31,937	41,412
Vehicle and travel	9,994	26,936	-	36,930	917	576	1,493	38,423
Telephone	6,545	6,025	839	13,409	587	1,508	2,096	15,504
Bad debt	-	-	-	-	-	6,000	6,000	6,000
Miscellaneous	-	-	-	-	-	3,528	3,528	3,528
Total expenses	\$ 1,279,484	\$ 1,485,151	\$ 286,664	\$ 3,051,298	\$ 457,638	\$ 450,657	\$ 908,295	\$ 3,959,593

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total</u>
	<u>Youth Leadership and Training</u>	<u>Food Production and Enterprise</u>	<u>Public Education and Outreach</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Supporting Services</u>	
Personnel	\$ 342,713	\$ 787,729	\$ 184,672	\$ 1,315,114	\$ 214,983	\$ 419,451	\$ 634,434	\$ 1,949,548
Youth stipends	376,038	-	-	376,038	-	-	-	376,038
Consultants and professional fees	38,856	104,911	18,115	161,882	44,862	62,887	107,749	269,631
Seeds, plants, soil amendments	1,272	186,514	-	187,786	-	-	-	187,786
Occupancy	35,290	68,903	-	104,193	13,475	-	13,475	117,668
Depreciation	18,912	53,849	-	72,761	14,845	7,423	22,268	95,029
Insurance	16,691	29,923	2,722	49,336	24,006	12,854	36,860	86,196
Equipment related expense	346	26,380	5,735	32,461	28,968	1,663	30,631	63,092
Dues and fees	74	514	179	767	47,142	12,355	59,497	60,264
Utilities	5,258	40,881	-	46,139	5,651	-	5,651	51,790
Printing and postage	148	9,070	17,159	26,377	678	19,790	20,468	46,845
Passthrough expense	-	-	-	-	-	42,908	42,908	42,908
Supplies	16,943	7,168	627	24,738	8,191	6,600	14,791	39,529
Miscellaneous	-	5,585	248	5,833	-	30,054	30,054	35,887
Youth transportation	31,446	562	-	32,008	-	-	-	32,008
Vehicle and travel	2,284	20,815	-	23,099	510	380	890	23,989
Telephone	3,148	7,236	1,696	12,080	1,975	3,854	5,829	17,909
Conferences and training	9,240	2,187	350	11,777	5,253	520	5,773	17,550
Bad debt	-	-	-	-	-	8,637	8,637	8,637
Total expenses	\$ 898,659	\$ 1,352,227	\$ 231,503	\$ 2,482,389	\$ 410,539	\$ 629,376	\$ 1,039,915	\$ 3,522,304

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 751,975	\$ 515,102
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	123,902	95,029
Loss on disposal of property, plant and equipment	1,029	2,660
Net realized and unrealized (gains) losses on investments	115,397	(79,626)
Bad debt expense	6,000	8,637
Gain on extinguishment of debt	(346,400)	(380,000)
Changes in certain assets and liabilities:		
Accounts receivable, program grants	(564,077)	50,863
Accounts receivable, other	(8,500)	(2,363)
Prepaid expenses and other current assets	1,662	(4,568)
Accounts payable and accrued expenses	(9,051)	118,848
Deferred revenue	(18,000)	14,678
Net cash provided by operating activities	<u>53,937</u>	<u>339,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	251,579
Purchase of investments	-	(525,173)
Purchase of property and equipment	(224,665)	(254,722)
Net cash used in investing activities	<u>(224,665)</u>	<u>(528,316)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable, PPP	-	346,400
Net cash provided by financing activities	<u>-</u>	<u>346,400</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(170,728)	157,344
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,234,710</u>	<u>2,077,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,063,982</u>	<u>\$ 2,234,710</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies

Organization - The Food Project, Inc. ("TFP") was established in 1994 and is a not-for-profit corporation operating to empower youth in the Greater Boston Metropolitan area through education and opportunities for community service through planting, harvesting and distributing farm produce to shelters, soup kitchens and farmers markets in low-income neighborhoods.

Basis of Accounting - The financial statements of TFP have been prepared on the accrual basis.

Basis of Presentation - TFP's financial statements are prepared in accordance with U.S. generally accepted accounting principles. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Net Assets Without Donor Restrictions include net assets that are available for use in general operations and not subject to donor-imposed stipulations, and board designated net assets. Board designated net assets represent amounts which have been earmarked by the Board of Trustees for future use.

Net Assets With Donor Restrictions include some net assets with restrictions that are temporary in nature, which are subject to donor-imposed stipulations, that may or will be met by actions of TFP and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, whereas the donor stipulates that these resources be maintained in perpetuity. Generally, the donors of these assets permit TFP to use all or part of the income earned on related investments for general or specific purposes. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets are then reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenues are reported as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions or by law. Expenses are generally reported as a decrease in net assets without donor restrictions. Expiration of temporary restrictions is reflected in the statement of activities as net assets released from donor restrictions.

Comparative Financial Information - The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with TFP's financial statements for the year ended September 30, 2021 from which the summarized information was derived.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - Financial instruments, which subject TFP to concentrations of credit risk, consist principally of temporary cash investments. TFP has concentrated its credit risk for cash by maintaining bank deposits that exceed federal insurance. The maximum loss that could have resulted from that risk totaled approximately \$2,200,000 as of September 30, 2022.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents - Cash equivalents consist of highly liquid investments with original maturities of ninety days or less. Cash equivalents are carried at cost, which approximates market.

Investments - Investments consist of mutual funds. TFP reports its investments pursuant to U.S. generally accepted accounting principles. In accordance with these principles, investments are recorded at market value and investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the statements of financial position. Net realized and unrealized gains or losses in the fair value of the investments are reflected in the statement of activities.

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility.

Dividends, interest, and net gains (losses) on donor restricted investments are reported as increases (decreases) in net assets with donor restrictions. Income and net gains (losses) on board designated funds are reported as an increase (decrease) in net assets without donor restrictions.

Program Grants Receivable and Other Accounts Receivable - U.S. generally accepted accounting principles require that unconditional promises to give (grants) be recorded as receivables and revenue in the period received and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Program grants and other accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to program grants or other accounts receivable. Management has reviewed program grants and other accounts receivable as of September 30, 2022 and 2021, and considers grants and other accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Contributions - In accordance with U.S. generally accepted accounting principles, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property, Plant and Equipment - Expenditures for property, plant and equipment are recorded at cost, or, if acquired by gift, at fair market value as of the date of gift. Depreciation is computed using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the related lease or the estimated useful lives of the assets.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Investment Return Objectives and Parameters - TFP's primary objective is preservation of capital together with current income that will provide for the support of current activities. To satisfy its long-term rate-of-return objectives, TFP primarily relies on fixed income investments typically comprised of mutual funds.

Contributed Goods and Services - Contributions of goods and services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods and services for the years ended September 30, 2022 and 2021, included in the accompanying statement of activities, were as follows:

<u>Non-financial Contribution</u>	<u>Type of Contributions</u>	<u>Valuation</u>	<u>2022</u>	<u>2021</u>
Contributed services	Pro-bono legal work	Standard industry pricing	\$ 50,613	\$ 66,219
Contributed services	Pro-bono consulting	Standard industry pricing	-	5,163
Donated goods	Farm equipment	Donor invoice	-	3,280
			<u>\$ 50,613</u>	<u>\$ 74,662</u>

TFP has a substantial number of volunteers who have donated a significant amount of their time and energy to TFP. No amounts have been recognized in the accompanying statement of activities for these donated services since an objective basis for measurement of the value of such services is not available, and these services are not specialized as defined by U.S. generally accepted accounting principles.

Deferred Revenue - TFP defers recognition of program and service revenue to the period in which the related program and services are performed and the related expenses are incurred.

Revenue Recognition - Under FASB ASC Topic 606, Revenue from Contracts with Customers, revenue is recorded when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration expected to be received in exchange for those goods or services (the transaction price).

Revenue recognized from performance obligations satisfied at a point in time consists of produce sales. Revenue is recorded when the customer takes control of produce at the point of sale. Revenue from performance obligations satisfied over time consists of sales of farm shares. Progress towards completion of performance obligations related to farm shares is recognized ratably over the course of the related farm sharing period. All of TFP's performance obligations are for durations of one year or less. For the year ended September 30, 2022, revenue recognized at a point in time and over time amounted to \$143,300 and \$141,026, respectively. For the year ended September 30, 2021, revenue recognized at a point in time and over time amounted to \$153,221 and \$129,467, respectively. Accounts receivable require payment on a short-term basis and as such TFP does not have any significant financing components.

Recently Adopted Accounting Pronouncement – During the year ended September 30, 2022, TFP elected to adopt Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncement Not Yet Adopted - The Financial Accounting Standards Board has issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending September 30, 2023. TFP is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Income Taxes - The Internal Revenue Service has recognized TFP as a tax-exempt Organization under Section 501(c)(3). Section 501(c)(3) of the Code provides for the exemption of Organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual.

In determining the recognition of uncertain tax positions, TFP applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of September 30, 2022, TFP has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. TFP is generally subject to potential examination by taxing jurisdictions for the three prior years.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization. Management believes their allocations are done on a reasonable and consistent basis.

Subsequent Events - The date to which events occurring after September 30, 2022 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

Note 2 - Availability and Liquidity

TFP regularly monitors liquidity required to meet its operating needs and other contractual commitments. TFP has various sources of liquidity at its disposal including cash and cash equivalents, program grants receivable, accounts receivable, other and investments. To help manage unanticipated liquidity needs, TFP has a line of credit with available borrowings amounting to \$200,000 which it could draw upon. TFP's goal is generally to maintain financial assets sufficient to meet 60 days of operating expenses (approximately \$650,000).

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 2 - Availability and Liquidity (Continued)

The following table represents TFP's financial assets as of September 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available include net assets with donor or contractual restrictions and board designated net assets. The Board has designated \$272,175 and \$267,602 at September 30, 2022 and 2021, respectively, for special purposes and may appropriate amounts from these funds, should the need arise.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,063,982	\$ 2,234,710
Investments	482,705	598,102
Program grants receivable	650,177	92,100
Accounts receivable, other	21,000	12,500
Total financial assets	<u>3,217,864</u>	<u>2,937,412</u>
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	1,400,652	1,108,534
Board designated funds	272,175	267,602
	<u>1,672,827</u>	<u>1,376,136</u>
Financial assets available to meet general expenditures over the next twelve months	1,545,037	1,561,276
Liquidity resources - line of credit borrowings	<u>200,000</u>	<u>200,000</u>
Total financial assets and liquidity resources available over next twelve months	<u>\$ 1,745,037</u>	<u>\$ 1,761,276</u>

Note 3 - Investments

Fair value is defined under U.S. generally accepted accounting principles as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further, it requires TFP to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. The accounting standards specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect TFP's market assumptions. This hierarchy requires the use of observable market data when available.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 3 - Investments (Continued)

These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

Following is a description of TFP's valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022.

Mutual Funds

These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund and calculated at the close of business on the NYSE. The NAV is based on the value of the underlying asset owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in mutual funds are classified within Level 1 of the valuation hierarchy.

The following table summarizes TFP's financial assets measured at fair value on a recurring basis, by caption and by the valuation hierarchy, in accordance with U.S. generally accepted accounting principles as of September 30, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Level 1				
Mutual funds:				
Large Cap funds	\$ <u>525,173</u>	\$ <u>482,705</u>	\$ <u>525,173</u>	\$ <u>598,102</u>
Total Level 1 Investments	\$ <u><u>525,173</u></u>	\$ <u><u>482,705</u></u>	\$ <u><u>525,173</u></u>	\$ <u><u>598,102</u></u>

Note 4 - Accounts Receivable, Program Grants

Accounts receivable, program grants at September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Accounts receivable, program grants expected to be collected in:		
Less than one year	\$ 372,000	\$ 50,600
One to five years	<u>290,000</u>	<u>41,500</u>
	662,000	92,100
Less present value discount	<u>(11,823)</u>	<u>-</u>
	\$ <u><u>650,177</u></u>	\$ <u><u>92,100</u></u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 5 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Building	\$ 577,891	\$ 577,891
Land	387,120	387,120
Vehicles and equipment	880,039	775,552
Building improvements	489,237	377,703
Leasehold improvements	391,611	385,908
Total property, plant and equipment, at cost	2,725,898	2,504,174
Less accumulated depreciation	1,588,923	1,466,933
Property, plant and equipment, net	<u>\$ 1,136,975</u>	<u>\$ 1,037,241</u>

Note 6 - Line of Credit

TFP has a revolving line of credit agreement with a bank. The maximum borrowings available under the agreement are \$200,000. The agreement provides that any borrowings are due on demand, and bear interest at the greater of (1) the bank's prevailing prime lending rate plus 2.00% or (2) 5.50% (8.25% and 5.50% at September 30, 2022 and 2021, respectively). The agreement is collateralized by substantially all assets of TFP. The agreement also requires TFP to meet certain non-financial covenants, as defined in the financing agreement. As of September 30, 2022, management is not aware of any violations to its covenants. As of September 30, 2022 and 2021, there were no borrowings outstanding under this agreement.

Note 7 - Gain on Extinguishment of Debt

During January 2021, the Organization received a loan from Leader Bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") in the amount of \$346,400. The PPP funding was legally structured as a forgivable loan by the SBA. In order to achieve full or partial forgiveness of the loan, TFP was required to spend the funding for specific purposes and also generally maintain its full-time equivalent level of staffing and wage related conditions over a defined time period. TFP elected to account for this loan under FASB ASC Topic 470, Debt (ASC 470). Under ASC 470, the proceeds from the note are initially recorded as a liability, with a gain on the extinguishment of debt recorded at the time of forgiveness, as determined by the SBA. During 2022, the Organization received full forgiveness of the \$346,400 of funds received through the SBA's Paycheck Protection Program. As a result, TFP has recorded a gain on extinguishment of debt in the amount of \$346,400 for the year ended September 30, 2022.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 8 - Endowment

TFP's endowment consists of one individual donor-restricted fund established for a specific purpose. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TFP has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, TFP classifies as restricted in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by TFP.

In accordance with UPMIFA, TFP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of TFP and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of TFP
7. The investment policies of TFP

The endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>549,445</u>	\$ <u>549,445</u>

The endowment net asset composition by type of fund as of September 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>655,814</u>	\$ <u>655,814</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 8 - Endowment (Continued)

The changes in endowment net assets for the years ended September 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, October 1, 2020	\$ -	\$ 569,707	\$ 569,707
Investment income, net	-	86,107	86,107
Endowment Net Assets, September 30, 2021	\$ -	\$ 655,814	\$ 655,814
Investment loss, net	-	(106,369)	(106,369)
Endowment Net Assets, September 30, 2022	\$ -	\$ 549,445	\$ 549,445

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment:		
Restricted in perpetuity:		
Pat Gray Legacy (youth leadership and training)	\$ 267,166	\$ 267,166
Subject to expenditure for specified purpose:		
Cumulative gains on endowment funds	282,279	388,648
Fundraising	89,115	82,949
Youth leadership and training	80,000	73,202
Farm and enterprise	106,502	44,000
Regional support	22,474	39,732
Mobile market	-	30,263
Strategic planning	15,000	8,334
	<u>595,370</u>	<u>667,128</u>
Subject to the passage of time:		
Management and general	538,116	174,240
	<u>\$ 1,400,652</u>	<u>\$ 1,108,534</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 10 - Leasing Arrangements

TFP has two non-cancelable operating lease agreements for office space. TFP leases office space in Boston, MA under a non-cancelable real estate lease agreement at a rate of \$5,000 per month that expires in March 2023. TFP is currently in the process of extending this lease. The arrangement provides for fixed monthly rental payments and requires TFP to pay its proportionate share of utilities, real estate taxes, insurance, and repairs.

TFP leases office space in Lynn, MA under a non-cancelable real estate lease agreement expiring in October 2023. The arrangement provides for fixed monthly rental payments and requires TFP to pay its proportionate share of utilities, real estate taxes, insurance, and repairs.

TFP leases numerous parcels of vacant land and green house space in Boston, Lynn, Lincoln, Wenham and Beverly, Massachusetts from various government and conservation agencies. The leases generally provide for nominal rent ranging from \$1 per year to \$1,380 per year and expire at various times through December 2113. The land is used for community gardens, general planting, and educational purposes.

Total rental expense, excluding certain operating expenses payable by TFP, amounted to approximately \$80,000 for the years ended September 30, 2022 and 2021, respectively.

The minimum future rental payments, by year, under non-cancelable operating leases having initial lease terms in excess of one year as of September 30, 2022 are as follows:

<u>Years ending September 30,</u>		<u>Amount</u>
2023	\$	47,653
2024		1,819
2025		602
2026		1
2027		1
Thereafter		1

TFP leases office space to three tenants under non-cancelable lease agreements. The agreements provide for fixed minimum monthly rental payments. The agreements expire at various dates between September 2023 and November 2023. Rental income for the years ended September 30, 2022 and 2021 amounted to approximately \$42,000 and \$46,000, respectively.

The future minimum rental income receivable, by year, under the lease agreements as of September 30, 2022 is as follows:

<u>Years ending September 30,</u>		<u>Amount</u>
2023	\$	44,451
2024		2,456

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Note 11 - Retirement Plan

TFP maintains a defined contribution pension plan covering eligible participating employees. The Plan allows employees to make voluntary contributions up to the Internal Revenue Code limitations. Employer contributions to the Plan amounted to approximately \$4,000 and \$8,000 for the years ended September 30, 2022 and 2021, respectively.

While TFP expects to continue the Plan indefinitely, TFP has reserved the right to modify, amend or terminate the Plan. In the event of termination, the entire amount contributed under the Plan must be applied to the payment of benefits to the participants or their beneficiaries.